
Michigan's Historic Preservation Tax Incentives



State Historic Preservation Office Michigan Historical Center Michigan Department of History, Arts, and Libraries

Historic Preservation Tax Incentives

Historic resources are tangible links with our past. They impart a sense of identity, stability, and orientation to a community. Historic preservation tax incentives promote the preservation and rehabilitation of these resources.

Rehabilitation is defined as the process of returning a resource to a state of utility, through repair or alteration, which makes possible an efficient contemporary use while preserving those portions and features of the resource that are significant to its historic, architectural, and cultural values.

A tax credit lowers the amount of tax owed. The Michigan historic preservation tax credit is a state income tax credit of 25% that is available for

the rehabilitation of certain historic resources.

The credits are available to encourage investment in Michigan's historic resources. The State Historic Preservation Office (SHPO) administers the program in partnership with the Michigan Department of Treasury.

Michigan resource owners and long-term lessees who undertake qualified rehabilitations of certain historic resources can apply for a credit against their state general income tax or Michigan Business Tax (MBT) of up to 25 percent of qualified rehabilitation expenditures. The purpose of the tax credit program is to provide incentives to homeowners, commercial property owners, and businesses to rehabilitate historic commercial and residential resources.

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Eligible Resource

An eligible resource is defined as any historic building, structure, site, object, feature, or open space that is:

- Located in a local unit of government with a population of 5,000 people or more and is a contributing resource in a local historic district established under Michigan's Local Historic Districts Act (P.A. 169 of 1970 as amended); or
- Located in a local unit of government with a population under 5,000 people and is a contributing resource in a local historic district, or is listed in the State Register of Historic Sites, or the National Register of Historic Places.

An eligible resource is designated a certified historic resource by the SHPO after the resource is reviewed and a determination of the resource's historic significance and character are made.

A *local historic district* is established by a local ordinance and regulates the construction, alteration, and demolition of resources in the district. The *State Register of Historic Sites* is a program designed to assist the citizens of Michigan in the identification and recognition of historic resources through Michigan Historical Markers. The National Register of Historic Places is the nation's list of cultural resources worthy of preservation. Listing in the State Register of Historic Sites or the National Register of Historic Places does not prevent a private citizen from altering, managing, or disposing of the resource



Certified Rehabilitation

A certified rehabilitation is the rehabilitation of a certified historic resource that the SHPO has affirmed as being consistent with the historic character of the resource and, where applicable, with the district in which the resource is located. The rehabilitation must conform to the *Secretary of the Interior's Standards for Rehabilitation*.

Evaluation of Rehabilitation Work

The *Secretary of the Interior's Standards for Rehabilitation* are broadly worked to guide the rehabilitation of all historic resources. The underlying concern expressed in the standards is the preservation of significant historic materials and features of a resource in the process of rehabilitation. The standards apply with equal force to both the interior and exterior work and the SHPO reviews the **entire** rehabilitation project rather than a single aspect of the undertaking. Certification of the rehabilitation is based on whether the

entire project meets the *Standards for Rehabilitation*.

It is assumed that some alteration of the historic resource may occur to provide for an efficient contemporary use. However, the rehabilitation must not damage, destroy, or cover materials or other features, whether interior or exterior, that define the resource's historic character. The *Secretary of the Interior's Standards for Rehabilitation* are applied to projects in a reasonable manner, taking into consideration economic and technical feasibility.

The *Secretary of the Interior's Standards for Rehabilitation* apply to historic resources of all periods, sizes, styles, types, and materials. They apply to both the exterior and the interior of historic resources. The standards also encompass related landscape features and the resource's site and environment as well as attached, adjacent, or related new construction. Further guidance in applying the standards can be found in the companion *Secretary of the Interior's Guidelines for Rehabilitating Historic Buildings*.

<http://www.nps.gov/history/hps/TPS/tax/rhb/>



Secretary of the Interior's Standards for Rehabilitation

1. A property shall be used for its historic purpose or be placed in a new use that requires minimal change to the defining characteristics of the building and its site and environment.
2. The historic character of a property shall be retained and preserved. The removal of historic materials or alteration of features and spaces that characterize a property shall be avoided.
3. Each property shall be recognized as a physical record of its time, place and use. Changes that create a false sense of historical development, such as adding conjectural features or architectural elements from other buildings, shall not be undertaken.
4. Most properties change over time; those changes that have acquired historic significance in their own right shall be retained and preserved.
5. Distinctive features, finishes, and construction techniques or examples of craftsmanship that characterize a property shall be preserved.
6. Distinctive historic features shall be repaired rather than replaced. Where the severity of deterioration requires replacement of a distinctive feature, the new feature shall match the old in design, color, texture, and other visual qualities and, where possible, materials. Replacement of missing features shall be substantiated by documentary, physical, or pictorial evidence.
7. Chemical or physical treatments, such as sandblasting, that cause damage to historic materials shall not be used. The surface cleaning of structures, if appropriate, shall be undertaken using the gentlest means possible.
8. Significant archaeological resources affected by a project shall be protected and preserved. If such resources must be disturbed, mitigation measures shall be undertaken.



9. New additions, exterior alterations, or related new construction shall not destroy historic materials that characterize the property. The new work shall be differentiated from the old and shall be compatible with the massing, size, scale, and architectural features to protect the historic integrity of the property and its environment.
10. New additions and adjacent or related new construction shall be undertaken in such a manner that if removed in the future, the essential form and integrity of the historic property and its environment would be unimpaired.

Application Process

To qualify for the tax credit, applicants must complete the *Historic Preservation Certification Application*. The application is composed of three parts.

Part 1 – Evaluation of Eligibility.

Certified historic resource status is obtained by completing Part 1 of the application. The SHPO reviews the application and determines whether the resource is a certified historic resource. Additionally, if the resource is located in a local historic district, this must be verified and a *Declaration of Location* form must be submitted.

Part 2 – Description of Rehabilitation

To ensure that a planned rehabilitation is consistent with the historic character of the resource, Part 2 of the application is submitted to the SHPO for review and approval. The SHPO evaluates the rehabilitation project for conformance with the *Secretary of the Interior's Standards for Rehabilitation*. If necessary, the SHPO advises applicants, and provides technical assistance and literature on appropriate rehabilitation treatments. To determine if the amount of the rehabilitation expenditures is sufficient to qualify for the state tax credit, a Verification of the State Equalized Value (SEV) form must be submitted.

Part 3 – Request for Certification of Completed Work.

Certification of the project is obtained when the rehabilitation work is

completed. Part 3 of the application is submitted to the SHPO for review and approval. A project designated by the SHPO as a certified rehabilitation is approved for purposes of the tax credit and both the applicant and the Michigan Department of Treasury are notified.

Parts 1 and 2 of the application may be submitted at the same time. **Prior** to beginning **any** rehabilitation work, Parts 1 and 2 of the application should be submitted to and approved by the SHPO. This will minimize the risk encountered by the applicant.

The Historic Preservation Certification Rules (2000 AACCS, R206.157) prescribe that applicants are responsible for the payment of application processing fees. A \$25 fee is required for Part 1 applications if a *Declaration of Location* form is submitted. There is no fee for Part 2. The fee for the review of the Part 3 application is based on the dollar amount of the qualified rehabilitation expenditures. These fees are detailed in the schedule below.

FEE FOR REVIEW OF PART 3	
Fee	Qualified Rehabilitation Expenditures
No fee	\$0 to \$999
\$25	\$1,000 to 3,999
\$100	\$4,000 to \$9,999
\$250	\$10,000 to \$19,999
\$500	\$20,000 to \$99,999
\$800	\$100,000 to \$499,999
\$1,500	\$500,000 to \$999,999
\$2,500	\$1,000,000 or more

Combined Applications (State and Federal)

Applicants applying for the federal tax credit and desiring the additional state tax credit need to submit two copies of each part of the federal *Historic Preservation Certification Application*. Additionally, applicants must submit the *Declaration of Location* form and the Verification of the State Equalized Value (SEV) form as required by the State of Michigan.

Applicants using the federal program must pay the \$25 Declaration of Location fee and all federal review fees, but they are not subject to the Part 3 review fee required by the State of Michigan.

Qualified Rehabilitation Expenditures

A state tax credit of up to 25 percent may be taken on qualified rehabilitation expenditures. Qualified rehabilitation expenditures are costs incurred through rehabilitation work undertaken on the resource itself and can also include fees associated with the rehabilitation such as architectural and engineering fees, site surveys, legal expenses, and development fees. Qualified rehabilitation expenditures do not include costs of acquiring or furnishing the resource, new additions that expand the volume of the existing resource and construction of new facilities related to the resource.

Qualified rehabilitation expenditures must be equal to or greater than 10 percent of the State Equalized Value (SEV) of the property to qualify for the state tax credit.

Claiming the Credit

Once approved, applicants claim the credit when they file their State of Michigan income tax returns.

The tax credit is claimed on the tax return for the year that the Part 3, request for certification of completed work, is certified by the SHPO.

Contact Information

State Tax Credits

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Federal and Combined Tax Credits

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